

REPORT  
Regular Council Meeting  
1992 October 13

CITY OF BURNABY

HOUSING COMMITTEE

HIS WORSHIP, THE MAYOR  
AND COUNCILLORS

Re: Non-Market Housing Component For George Derby Lands

RECOMMENDATIONS:

1. THAT Council accept the proposal to develop one half of the units reserved for non-market housing on the George Derby site under the Non-Profit Rental Housing Program, subject to a satisfactory agreement being reached by CMHC and the B.C. Housing Management Commission/Provincial Rental Housing Corporation.
2. THAT Council not accept the proposal to develop the other half of the units using the proposed modest homeownership demonstration project, but recommend that CMHC try this approach on another development enclave.
3. THAT Council recommend that the equity co-operative housing option be investigated further, and the details of such an approach be reported back to the Committee.

R E P O R T

The Housing Committee, at its meeting held 1992 September 17 received the attached staff report regarding the non-market housing component for the George Derby Lands.

Arising out of consideration of this report, a question was raised as to whether Burnaby has the ability to delay rezoning market enclaves on the George Derby Lands until the non-market site is developed.

At its meeting of 1992 September 29 the Committee received a response from the City Solicitor advising that the following recent amendment to Section 945 of the Municipal Act may provide that ability:

"A community plan must include housing policies of the local government respecting affordable housing, rental housing and special needs housing."

As a result, staff have now been directed to prepare a report for the Committee providing the most effective means of assuring that non-market enclaves in the George Derby Lands are developed in a timely fashion and further, to report on the advisability of a text amendment to the Official Community Plan to include an appropriate statement on affordable housing.

Respectfully submitted,

INTERNAL DISTRIBUTION:

: - AGENDA 1992 OCTOBER 13  
: - COPY - CITY MANAGER  
- DIRECTOR PL. & BLDG.

Councillor L. Rankin  
Chairman

Councillor C. Redman  
Member

Councillor J. Young  
Member

TO: CHAIRMAN AND MEMBERS  
HOUSING COMMITTEE

1992 SEPTEMBER 14

FROM: ACTING DIRECTOR PLANNING & BUILDING

SUBJECT: NON-MARKET HOUSING COMPONENT FOR GEORGE DERBY LANDS

PURPOSE: To analyze the attached submission from CMHC that outlines their program for the development of the non-market housing component on the former George Derby Hospital site.

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RECOMMENDATIONS:

1. THAT the Housing Committee accept the proposal to develop one half of the units reserved for non-market housing on the George Derby site under the Non-Profit Rental Housing Program, subject to a satisfactory agreement being reached by CMHC and the B.C. Housing Management Commission/Provincial Rental Housing Corporation.
2. THAT the Housing Committee not accept the proposal to develop the other half of the units using the proposed modest homeownership demonstration project, but recommend that CMHC try this approach on another development enclave.
3. THAT the Housing Committee recommend that the equity co-operative housing option be investigated further, and the details of such an approach be reported back to the Committee.

R E P O R T

1.0 BACKGROUND

As part of the approval of the development plan for the George Derby lands, 20% of the housing units were reserved for the development of non-market and other forms of affordable housing. Enclave E, which is capable of containing up to 85 units was identified to meet this requirement.

Attached to this report is correspondence from Mr. Lorne Finley, Director Land Management Division of CMHC outlining a proposal for the development of Enclave E of the George Derby site. In addition, attached is a copy of correspondence from Maurina Duncan of the Provincial Rental Housing Corporation outlining the conditions of their and B.C. Housing Management Commission's participation in the proposal.

The purpose of this report is to summarize and provide staff commentary on the proposal as presented, and recommend a course of action to the Housing Committee.

## 2.0 THE NON-MARKET HOUSING COMPONENT

The 20% non-market housing requirement has been applied to major residential developments in Burnaby as a way to promote balanced new communities and to provide housing for those who cannot access affordable housing provided by the private market.

At the outset it was assumed that most of the units would be funded through the senior government's assisted housing programs. However with the demise of the Federal Co-operative Housing Program and the continual reduction in units in the Federal-Provincial Non-profit Rental Housing Program (600 units for B.C. forecast for 1993), it is realized that more innovative forms of non-market housing would have to be investigated. However, the intent of the 20% non-market units remains the same, that is, to provide housing that the market is unable or unwilling to provide, to those who cannot access housing through normal market mechanisms and that will be affordable in the longer term. Strictly speaking, non-market housing means housing that is outside of the market, meaning that its price is not totally influenced by market mechanisms.

## 3.0 THE PROPOSAL

CMHC proposes to deliver affordable housing on Enclave E (85 units) through a combination of a traditional non-profit rental project and a modest cost homeownership demonstration project.

### 3.1 The Non-Profit Rental Housing Proposal

It is proposed that one half of the units be developed under the existing Non-Profit Rental Housing Program that is funded jointly by the Federal and Provincial Governments. Under this program housing would be built for low income families with children. This proposal does not involve the creation of a net gain in non-profit units regionally units in that allocations under the existing program would be utilized. However, it would result in units being built in an area where land costs would make development otherwise prohibitive.

BCNMC staff were asked by Planning Department staff to provide a response to the non-profit housing portion of the proposal. Their response, dated 1992 September 10, is attached to this report. In essence, B.C. Housing Management Commission (BCHMC) and Provincial Rental Housing Corporation (PRHC) advise that they would consider acquiring the non-profit housing site subject to agreement on a suitable price and approval of the Minister of Municipal Affairs, Recreation and Housing. Further it is added that there is no guarantee that the units will be allocated to the subject site.

### 3.2 Modest Homeownership Demonstration Project

The second component of the proposal involves the development of modest ownership housing, in terms of price, size and amenity. The objective of this program is to provide good quality but modestly priced which will provide access to homeownership to households of moderate income and allow such households to experience equity appreciation associated with homeownership.

Under this scenario, CMHC would invite private developers to respond to a Proposal Call that would offer the land for sale at a fixed price (\$44,000 per unit) and award the site to the proposal offering the best combination of modest selling price with good quality design and modest amenity and unit size.

### 3.3 Equity Co-operative Proposal

In the submission, the option of an equity co-operative is offered as an alternative to the modest homeownership proposal. No further details are given.

## 4.0 ANALYSIS OF PROPOSAL

### 4.1 Non-Profit Rental Housing Component

Development of housing on the subject site under the Non-Profit Rental Housing Program meets the intent of the requirement that units be reserved for non-market housing. Housing under this program is provided for families with children in "core housing need" who otherwise cannot afford adequate housing in the private market. Planning and Building Department staff, realizing that housing built under this program can generate a significant number of school aged children are currently discussing with the School Board, possible resolutions to the elementary school space shortage problem in the catchment area. Development of core-needy housing in a larger comprehensively developed site allows for its integration in a balanced community where such housing would otherwise not be developed because of prohibitive land costs.

In their negotiations with BCHMC, we urge CMHC to be realistic in the land price so as to facilitate rather than discourage development under the Non-Profit Program. If land costs are high relative to other proposed non-profit rental developments, the George Derby site will not get a unit allocation. In addition, if land costs are higher, less resources can be put into the construction of the unit including finishing and landscaping, therefore livability and neighbourliness may suffer.

It is realized that given the competitive nature of the Non-Profit Rental Housing Proposal Call, BCHMC cannot guarantee an allocation for any one site. Again, it must be stressed that the desirability of the site in terms of its chance of receiving an allocation is partially related to its price, in that sites with a lower land value component will be received more favourably in an competitive proposal call process.

#### 4.2 The Modest Homeownership Program

The proposed modest homeownership program, as presented, involves two innovations:

\*a proposal call process where the price of the land is set at the outset.

\*the developer must respond to the proposal with a project demonstrating modest units and affordability and showing "best value for the money."

There are no provisions to prevent "flipping" or protecting long term affordability, other than the notion that because the units are smaller and less elaborate than usual, that they will continue to cost less than other market units.

The units will be oriented towards moderate income households and it appears that they will be affordable to family renter households who are not in core housing need who earned at least an average income (\$56,707) in 1991, and may be affordable to non-family renter households who are not in core need, who earned at least an average income (\$47,236) in 1991. Of course, households must still raise the minimum 5% down payment to buy a unit. It should be noted that of the existing housing stock that is available for sale, 29% is affordable to the hypothetical renter family described above and 19% is affordable to the hypothetical non-family renter household.

In staff's view, this proposed program does not meet the intent of the 20% non-market housing requirement. While providing new homeownership opportunities is certainly laudable, it is felt that the 20% requirement should be used to provide housing that is clearly not being provided by the private sector, either in the new or existing stock. It is felt that the proposal is not providing sufficient innovation to clearly differentiate it from homeownership opportunities provided by the private development industry. Such innovation may include tenure form, mortgage instruments, or development methods such as a building co-operative. Staff believe that an innovative proposal call process, is not in itself, sufficient to warrant consideration of the units as part of the 20% non-market units.

Further, Planning and Building Department staff are concerned that the proposed proposal call process would exclude potential proponents who could respond in innovative ways. Under CMHC's proposal, "private" developers would be invited to respond to the proposal call under the usual circumstances including payment of deposit and payment for total cost of land once the final agreement is completed (although CMHC will finance the land value at market rates up to one year). According to CMHC, private sector developers were preferred due to their successful track records in development and to reduce the risk to CMHC.

However, non-profit sector developers have on many occasions expressed a strong desire to Planning and Building Department staff to develop more innovative forms of affordable housing, outside of existing programs. It is clear that this so called "third sector" has had a very good track record in developing good quality modest housing, and should be encouraged to participate in such a program rather than be excluded. In addition, it is felt that CMHC should make the price of the sites as attractive as possible to further the cause of affordable housing.

In their attached proposal, CMHC acknowledges that the set price for the modest ownership townhouse units of \$44,000 per unit represents a very small writedown from the freehold market value for the land. For comparison, Polygon Developments paid about \$49,000 per unit for the first development enclave for what will be much larger housing units as compared to Enclave E. CMHC felt that providing a subsidized land price for the modest homeownership component could likely result in a windfall profit for the first purchaser. Given that a significant writedown in land value is not provided, Planning and Building Department staff suggest that the proposed demonstration project might be implemented on at least a portion of the remaining enclaves.

#### 4.3 The Equity Co-operative Option

While no details are given in the attached information, an equity co-operative usually involves the member/occupant purchasing shares in the co-operative that can be sold later, but often with resale controls. This helps keep the units affordable in the long term. It should be noted that equity co-operatives could be developed using a wide range of methods. The development of an equity co-operative, depending on the details of the specific proposal, should achieve the intent of the 20% non-market units.

The development of equity co-operatives is considered to be novel. It is strongly suggested that if this direction is chosen that the Co-operative Housing Alliance of B.C. be consulted about possible client groups, financing formulae, proposal call process details and member development. Planning and Building Department staff would be willing to be involved in these discussions.

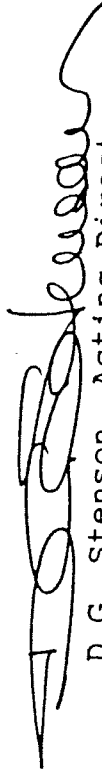
#### 5.0 CONCLUSION

In discussions with Planning and Building Department staff, CMHC officials reaffirmed their intention to meet Burnaby's policy of requiring 20% non-market units. However, in their words, the approach presented was described as "acting like any private developer." In its report to the Provincial Commission on Housing Options, the Housing Committee stressed the need for a strong senior government role and leadership in housing, including demonstrating innovative forms of financing and developing affordable housing.

Staff supports the development of housing under the non-profit rental housing program on a portion of the site. However, the land values must be realistic in order for there to be any reasonable chance for the site to receive an allocation. Therefore negotiations with BCHMC/PRHC must be concluded with a satisfactory result.

Staff cannot support the proposed modest homeownership program as it is presented by CMHC. It is felt that this proposal does not provide sufficient innovation to differentiate it from traditional market housing, albeit it is acknowledged that the units would be modest. Staff believe that the target market of this proposal is being served by the private market through resale of older housing stock. The 20% component was seen to provide housing for those that clearly have problems accessing housing in the private market and to provide affordable housing that is not being provided by the private market and should be affordable for the longer term. It is suggested that CMHC consider undertaking the demonstration project on a portion of another site in the development.

It is recommended that the equity co-operative housing option be examined further as an alternative to the affordable homeownership proposal. It is suggested that consulting the Co-operative Housing Alliance of B.C. in establishing guidelines for the desired product as well as the process for selection will assist in creating a workable program. Municipal staff would be pleased to participate in such discussions.



D.G. Stenson, Acting Director  
PLANNING & BUILDING

BG/db



Helping to  
house Canadians

Question habitation,  
comptez sur nous

## Attachment 1

Mr. Don Stenson  
A/Director  
Planning & Building Inspection  
District of Burnaby  
4949 Canada Way  
Burnaby, British Columbia  
V5G 1M2

VIA FAX (604) 294-7220

Re: George Derby Project - Non-market Housing

Dear Mr. Stenson;

I would like to thank Tony Parr, Joan Selby, and yourself for giving me the opportunity to meet with you on August 26 to discuss the George Derby Project. I regret that John Westwood, our project manager from Public Works Canada, had another commitment and was unable to join us.

As I indicated during our meeting, CMHC would like to accomplish two objectives in our discussions with Burnaby staff and with the Housing Committee.

Firstly, we would like to conclude the matter of whether the "demonstration" approach to the delivery of affordable housing in our George Derby project will meet with Burnaby's approval. As we discussed, although we would like to have Enclave "E" proceed as the second George Derby project in 1992, we have postponed work on the fine-tuning of our proposal until we can obtain feedback from the Housing Committee as to whether the approach we are proposing is acceptable. In the attached summary of our proposal, we have included the alternative of an equity cooperative to that of affordable home ownership.

We are looking forward to discussing these matters with the Housing Committee on the evening of September 17. I would like to thank the members of the Committee for moving their meeting forward to allow this item to be dealt with.

Secondly, we recognize that the discussions on the non-market enclave may well take a few weeks to finalize, and we would hope for the support of Council to allow the Polygon project to proceed. There are three other "market" enclaves in the George Derby project, and CMHC is willing to undertake at this time not to proceed with these while discussions on Enclave "E" are under way.

Canada  1/25

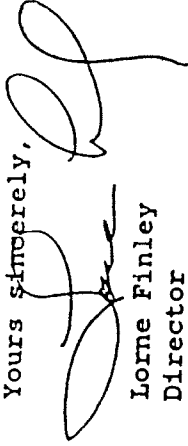


- 2 -

As I mentioned above, we do plan to proceed with the proposal call for Enclave "E" as the next George Derby parcel.

I would like to thank you for the open and cooperative attitude from Burnaby staff that we continue to receive in our dealings on the George Derby development.

Yours sincerely,



Lorne Finley  
Director  
Land Management Division

A Submission to the Housing Committee of the District of Burnaby  
PROPOSAL FOR NON-MARKET HOUSING AT THE GEORGE DERBY DEVELOPMENT

September 4, 1992

INTRODUCTION

Canada Mortgage and Housing Corporation, the owner and developer of the George Derby Lands would like the District of Burnaby to consider an innovative approach to the delivery of the twenty per cent "non-market" component of the development.

CMHC agrees with, and fully intends to meet the intent of Burnaby's housing policy, which requires developments to include twenty per cent non-market housing. CMHC believes in the development of "integrated communities" wherein housing opportunities are provided for a wide spectrum of household types and income levels.

To this end, and consistent with the intent of the recently tabled report of the Housing Committee entitled "OPTIONS FOR AFFORDABLE HOUSING: A MUNICIPAL PERSPECTIVE" CMHC is proposing that the municipal, provincial and federal governments jointly sponsor an innovative approach to the delivery of the required twenty per cent "non-market" housing in the George Derby project.

RELEVANT FACTORS

A broader definition of non-market housing is consistent with the recent report of Burnaby's Housing Committee, which generally calls for more innovation in the provision of affordable housing. CMHC believes that the approach suggested in this paper is consistent with the objectives of the Provincial Commission on Housing Options as stated in this report. In particular:

- \* "To identify innovative approaches and solutions on housing issues within the limitations of scarce financial resources;"
- and,
- \* "To provide an opportunity for municipalities, groups with special perspectives and individuals to become involved in the search for solutions to affordability problems that go beyond traditional government-based programs,"

Burnaby's Housing Committee and specifically recognized that ... "innovation in land tenure, housing form and financing will be required to develop affordable ownership housing." CMHC proposes to deliver affordable units through a combination of modest cost ownership housing, and a traditional non-profit project.

Within the province, it has been recognized that federal/provincial subsidy budgets are not capable of meeting the full demand from the non-profit sector, and it is thought that a smaller non-profit project combined with a non-subsidized but "affordable" project

of an another tenure form could increase the probability of overall success, and provide an opportunity for the three levels of government to try an innovative approach to the delivery of affordable housing.

CMHC and BCHMC are interested in having Burnaby join them in this "demonstration project". The objective of the three levels of government should be to develop an approach to the provision of affordable housing which, if successful at George Derby, would be transferable to other locations.

CMHC has identified the 85-unit Enclave "E" as the development parcel within the George Derby lands which would satisfy the requirement of the District to provide twenty per cent "non-market" housing (20 per cent of the total 413 units in the development).

#### THE PROPOSAL

CMHC and BCHMC are proposing that the twenty per cent non-market requirement be met by the delivery of modest, affordable, ownership housing and non-profit subsidized housing in approximately equal numbers (40 to 45 units of each tenure form) on the 85-unit Enclave "E".

Since there is not yet an accepted site plan, housing concept and landscape plan for the parcel, CMHC is proposing that a proposal call to private developers be utilized to select a "lead" proponent for the parcel.

One of the requirements would be that proponents would submit a site plan for both the "affordable ownership" and the non-profit portions of Enclave "E" which would lend itself to the parcel being severed into two development parcels of different tenure. It would be expected that site planning would avoid conflicts between the parcels in matters such as vehicular access, privacy and overlooking, sunlight and shadow, views and maintenance of internal services.

#### The Affordable Ownership Parcel

The concept of "affordable ownership" is being proposed to provide good quality, but modestly priced housing which will provide access to home ownership to households of moderate income, and at the same time, allow these families to benefit from the equity appreciation associated with owning your own home.

Through the proposal call, CMHC proposes to ensure that the housing is modestly priced through two techniques:

- To send a clear signal to developers that the key to being selected as the successful developer is to offer the best combination of modest selling prices with good quality design, and modest amenity and unit size. The proposal call selection criteria will include the notion of "best value for the money".

- To offer the land for sale at a fixed price which is at the lower end of market value for townhouse land. The value being projected for the "affordable ownership" townhouses in Enclave "E" is \$44,000 per unit.

In offering modest priced ownership housing at George Derby, one needs to be concerned about purchasers "flipping" their houses, and taking a windfall gain. The most effective manner of avoiding this possibility is to ensure that the house is priced at market value, at the outset of the project and over time. If the housing unit is modest in size and amenity, it will continue over the long term to be valued at prices that are lower than larger houses with more amenities (double car garages, separate dining rooms, family rooms, 2 1/2 baths, sunken living rooms etc). CMHC proposes to ensure that the housing is modest, and will therefore, be "affordable" over the long term.

#### The Non-profit Parcel

When the proposal call model for George Derby was initially being discussed with BCHMC and the District, it was thought that developer proponents should be required to come forward in partnership with a non-profit sponsor group, and that the selection of the successful proponent would include consideration of the experience, target market and track record of the non-profit group as well as the developer. The developer and the non-profit sponsor would be required to make application to the province for non-profit subsidy in 1993, and if unsuccessful, in 1994.

However, one of the concerns of the the Burnaby Council was the level of assurance that would be provided that funding for the non-profit parcel would be available. This expectation would have been impossible for CMHC to meet. The Province of British Columbia has had full responsibility for making all selections of those non-profit projects to receive funding under the federal-provincial non-profit program since 1986.

Recently, however, CMHC has received an offer from BCHMC to accept responsibility for the delivery of the non-profit parcel. It is currently proposed therefore to transfer the non-profit parcel to BCHMC immediately following the selection of the successful proposal for Enclave "E" and the line of severance between the affordable ownership parcel and the non-profit parcel has been established.

#### THE EQUITY COOPERATIVE ALTERNATIVE

The objective of this discussion paper is to obtain the agreement of Burnaby's Housing Committee and Council to the CMHC/BCHMC proposal to provide a mix of "affordable ownership" and non-profit housing to meet the intent of the District's housing policy of providing twenty per cent non-market housing. CMHC and BCHMC would like to have the District of Burnaby join in this innovative approach to the provision of affordable housing.

However, if the District does not wish to accept modest priced "affordable ownership" housing as meeting part of the twenty per cent non-market requirement, CMHC is willing to commit itself at this time to change the form of tenure of the "affordable ownership" parcel to that of an equity cooperative.

#### PROPOSAL CALL PROCESS

Irrespective of the preferences of the Housing Committee and Burnaby Council on the details above, CMHC and BCHMC would like to have a representative from Burnaby join them on the selection and evaluation committee for Enclave "E". This would include the opportunity to review and comment on the proposal call documents, and to participate in the process of selection and evaluation of proposals received.

#### TIMING

CMHC believes that there should be a sense of urgency associated with the delivery of affordable housing in Burnaby, and to this end is prepared to proceed immediately with the calling of proposals for Enclave "E", as soon as agreement can be reached with Burnaby Council on the approach to be utilized.

CMHC would like to conclude the proposal call process for Enclave "E" in 1992, in order that housing in this area of the George Derby site could be available for occupancy in 1993.

#### CONCLUSION

CMHC and BCHMC would like the Burnaby Housing Committee and Council to endorse the approach being proposed for the delivery of affordable housing in the George Derby Project. If Burnaby will join the "demonstration" initiative being proposed, the proposal call process can be initiated very quickly, with the participation of the three levels of government.

In the event that the combined "affordable ownership"/non-profit approach is not acceptable to Burnaby, CMHC is willing to change the tenure form of the "affordable ownership" component of the Enclave to that of an equity cooperative.

Lorne Finley  
Director  
Land Management Division  
CMHC

09/10/92 09:19

0004 439 4726

BCHMC REAL EST.

002/002

# Provincial Rental Housing Corporation

## MEMO

TO: Beverly Grieve  
Planner, Bby Planning

FROM: Maurina Duncan  
Property Documentation

## Attachment 2

PRHC FILE: TBD  
BCHMC FILE: TBD

DATE: September 10, 1992

SUBJECT: ENCLAVEE LAND

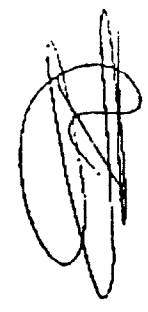
VIA FAX 294-7220

### REVISED MEMO FROM SEPTEMBER 9TH, 1992

Further to Wayne Powers meeting today with Ian Leman, General Manager of B.C. Housing, Wayne has asked me to advise you of the following:

- if the only solution is our participation (BCHMC/PRHC) then we would take 1/2 of the Enclavee land IF the price was right
- no allocation of units available, all other options must first be looked at ie: Equity Co-Op
- any sale would be based upon a best buy principal, subject to the Minsters approval (Robin Blencoe)
- British Columbia Housing Management Commission has not agreed to any social housing units upon Enclavee and further, we can't guarantee units
- land cost range in Burnaby \$33,000 leasehold to \$44,000 freehold. A 75% lease price would fall between \$33,000 to \$35,000 per unit

Trusting this is satisfactory.



Maurina Duncan